

Testimony
of
Robert A. Scardelletti
International President
Transportation Communications International Union
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Subcommittee on Railroads
Committee on Transportation and Infrastructure
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Mr. Chairman and Members of the Subcommittee, my name is Robert A. Scardelletti and I am International President of the Transportation Communications International Union. I appreciate the opportunity to appear before you today to discuss the National Railroad Retirement Investment Trust on behalf of railroad labor.

Mr. Chairman, I was part of the railroad labor team that worked with rail management to develop the initial outlines of the proposal for improving the railroad retirement system that ultimately became the Railroad Retirement and Survivors' Improvement Act of 2001. While the measure was under consideration by the Congress, I had the privilege of working with Members of this Committee as you improved and perfected the proposal that rail labor and management brought to you.

The record shows that these collaborations, between labor and management, and between the combined forces of labor and management and forward-looking Members of this Committee, have borne fruit.

First, the Act provided better railroad retirement benefits for rail workers, their dependents and survivors. Surviving spouses of deceased retirees now inherit the full tier 2 annuity of the retiree, rather than no more than 50 percent of the annuity allowed under previous law. The age at which a worker with 30 years service may retire was reduced from 62 to 60. And the vesting period for tier 1 and tier 2 benefits was cut in half from ten to five years.

Second, the financial security of the railroad retirement system has been strengthened. The total assets of the system now stand at \$ 30.3 billion, about \$10 billion more than when the Trust first began its investment activities in the Fall of 2002. That's a 50 percent increase.

Third, the cost of the system to employers and employees has declined. For calendar year 2006, the tier 2 tax rate on employees is 4.4 percent, down from 4.9 percent prior to the Act, and the employer tax rate has dropped from 16.1 percent to 12.6 percent.

The structure of the Trust has worked well. The balance of three labor and three management members of the Board of Trustees, along with one Independent Trustee, has produced a cooperative, team-oriented approach to meeting a common goal – protecting and growing the assets held by the Trust for the benefit of current and future railroad retirees and their dependents, spouses and survivors. I am not aware of a single instance to date in which Trust decisions have been discussed or decided based on labor or management affiliation.

The success to date of the Trust is testimony not only to the Trustees and staff who are directly responsible for its operation, but also to the leadership of this Committee and the Congress in passing the legislation in 2001. In addition, the cooperation and assistance of the Railroad Retirement Board has been vital to the start-up and smooth functioning of the Trust. Likewise, the Treasury Department has played a key role in developing new policies and procedures to facilitate the work of this unique organization and its special mission.

One issue of concern to active workers and retirees, especially in light of the favorable position of the Trust Fund, is that future appropriations for the Railroad Retirement Board may not be adequate to maintain the level of service the railroad community expects and deserves. We would ask for your assistance in monitoring this situation.

Mr. Chairman, we in the rail labor movement keep a close eye on the activities of the Trust. After all, our members have much to gain, or lose, from its success or failure. So far, we like what we see.

I appreciate the opportunity to speak to you on this important subject, and would be pleased to answer any questions you may have. Thank you.